

Message Text

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UNCLAS GUATEMALA 0422

PASS COMM/BIC/OED/MAJOR EXPORT PROJECTS DIVISION

EO 11652: N/A

TAGS: BEXP BAGB GT

SUBJECT: AGRIBUSINESS OPPORTUNITY - 50 MILLION DOLLAR REGIONAL
RURAL AGRIBUSINESS DEVELOPMENT PROJECT FOR CENTRAL AMERICA

REF: 75 STATE A-7006,

1. AID'S REGIONAL OFFICE FOR CENTRAL AMERICAN PROGRAMS (ROCAP) IN GUATEMALA RECENTLY SUBMITTED PROJECT REVIEW PAPER (PRP) FOR REGIONAL RURAL AGRIBUSINESS DEVELOPMENT PROJECT TO AID WASHINGTON THAT SHOULD OFFER NUMEROUS OPPORTUNITIES FOR US AGRIBUSINESS INVESTORS IN GUATEMALA AS WELL AS REST OF CENTRAL AMERICA. FORMAL APPROVAL AND AUTHORIZATION OF FURTHER PROJECT DEVELOPMENT. WERE RECENTLY OBTAINED.

2. UNDER PROJECT ROCAP EXPECTED TO LEND \$10 MILLION TO CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION (CABEI) WHICH EXPECTED TO PUT UP ADDITIONAL \$10 MILLION. THE \$20 MILLION WOULD BE LENT TO INTERMEDIATE CREDIT INSTITUTIONS (ICIS) IN FIVE CENTRAL AMERICAN COUNTRIES TO FINANCE PRIVATE AGRIBUSINESS SYSTEMS AND ENTERPRISES IN CENTRAL AMERICA. ICIS AND BORROWERS EXPECTED TO PUT UP ADDITIONAL \$15 MILLION. PURPOSE OF LOAN
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WOULD BE A) TO DEVELOP AGRIBUSINESS ACTIVITIES IN CENTRAL

AMERICA IN NO-TRADITIONAL AGRICULTURE WHICH INCREASE PARTICIPATION OF RURAL POOR, B) IMPROVE INSTITUTIONAL CAPABILITY OF CBAEI AND NATIONAL ICIS TO DEVELOP AGRIBUSINESS ACTIVITIES. 3) TO QUALIFY FOR FINANCING UNDER THE PROGRAM, A SUB-PROJECT WILL BE REQUIRED TO MEET TWO SPECIFIC CRITERIA. IT MUST:

2) CONTRIBUTE IN A MEANINGFUL WAY TO THE WELFARE OF THE CENTRAL AMERICAN POOR. THE BENEFITS OF THE PROGRAM WILL BE DIRECTED TO THE TARGET GROUP IN THE FOLLOWING MANNER:

1) THE UNEMPLOYED OR UNDEREMPLOYED WILL BE TRAINED AND EMPLOYED IN PROCESSING PLANTS. INCENTIVES WILL BE PROVIDED TO LOCATE PLANTS IN RURAL AREAS.

2) THE LANDHOLDING SMALL FARMERS WILL DIVERSIFY AND/OR INCREASE PRODUCTION TO SUPPLY RAW MATERIALS TO RURALLY-LOCATED PROCESSING PLANTS.

B) CONTRIBUTE IN A MEANINGFUL WAY TO THE DEVELOPMENT OR IMPROVEMENT OF AN INTEGRATED AGRIBUSINESS SYSTEM. THE SUB-PROJECT MUST DEMONSTRATE THAT IT ADDS A CRITICAL COMPONENT IN THE PRODUCTION-TRANSPORTATION-PROCESSING-DISTRIBUTION-MARKETING-RETAILING STEPS WHICH CHARACTERIZE THE AGRIBUSINESS PROCESS OR THAT IT INTRODUCES A NON-TRADITIONAL PRODUCT INTO THE PROCESS.

AS AN ADDITIONAL MEASURE OF THE SUB-PROJECT'S IMPORTANCE, SPECIAL WEIGHT WILL BE GIVEN TO A) ITS BALANCE OF PAYMENTS EFFECTS, B) THE VALUE-ADDED TO RAW OR SEMI-PROCESSED COMMODITIES AND C) INCREASED EMPLOYMENT.

4) IT IS EXPECTED LOAN WOULD BE APPROVED IN FY 77 AND DISBURSED DURING FYS 77-80. AGRIBUSINESS FIRMS PARTIALLY OWNED BY US INVESTORS IN CENTRAL AMERICA WOULD BE ELIGIBLE FOR LOANS.

5) SOME OF SUB-PROJECTS HEREUNDER MAY BE MAJOR (LARGE SCALE IN TERMS OF MEP DIVISION INTEREST). IF COMMERCE NOT ALREADY AWARE OF THIS PROJECT, ADDITIONAL INFORMATION CAN BE GIVEN BY ROBERT GOMEZ, ROOM 2253 A, LA/DR/AID N/STATEADB WASHINGTON, TELEPHONE (632-9485).
AHKREWS

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